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Supreme Court, U. S.
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In The

Supreme Court of the United States

October Term, 1975

No. 75-203

SAUNDERS ARCHERY COMPANY, Substituted for CHARLES SAUNDERS d/b/a SAUNDERS ARCHERY CO.,

Petitioner,

vs.

WRIST-ROCKET MANUFACTURING CO., INC.,

Respondent.

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

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—o—

Respondent, Wrist-Rocket Manufacturing Co., Inc., Appellant and Cross-Appellee in the Court below, prays that the petition of Saunders Archery Company for a writ of certiorari to review the judgment of the United States Court of Appeals for the Eighth Circuit be denied.

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OPINIONS BELOW

The opinion of the United States Court of Appeals for the Eighth Circuit dated May 12, 1975, is reported at 516 F. 2d 846 and at 186 U. S. P. Q. 5. The opinion of the United States District Court for the District of Nebraska, dated May 30, 1974, as amended August 2, 1974, is reported at 379 F. Supp. 902 and 183 U. S. P. Q. 17.

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QUESTIONS PRESENTED FOR REVIEW

Where the Congress has by statute provided that an incontestable trademark registration shall be conclusive evidence of the registrant's exclusive right to use the mark except if certain enumerated defenses are shown, may a federal court cancel a party's incontestable registration and award it to another party where none of the enumerated defenses exist?

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STATEMENT OF THE CASE

In early 1954 Howard Ellenburg (predecessor to respondent) invented a wrist-braced slingshot (R. 9-10). He sold a few of the slingshots himself (R. 17, 23), but he wished to market it on a wider basis than he felt capable of reaching personally. For this purpose he showed the slingshot to several sporting goods distributors, among whom was Charles Saunders, who lived in Ellenburg's home town of Columbus, Nebraska. In July 1954, Ellenburg and Saunders entered into a written

agreement whereby Saunders was granted an exclusive agency to sell the slingshot to dealers, with Ellenburg retaining the right to make direct sales to consumers (Pl. Exh. P-1, R. 34-35, 82-83). The agreement was for five years, automatically renewable for another five years.

Saunders test-marketed the slingshot under the name "Wrist-Locker", which Ellenburg had been using (R. 18, 229, 347, 349), but the name was soon changed to "Wrist-Rocket". The name was invented by an advertising agency which had done work for Saunders (R. 70), and its use was discussed by the parties before it was adopted (R. 116-117, 226). There was never an agreement between the parties as to who had ownership rights in the name. All subsequent sales, by both Saunders and Ellenburg, were under the name "Wrist-Rocket" (R. 115).

The written distributorship agreement lapsed by its own terms in 1964 and was not renewed (R. 81), but its provisions continued to be followed (R. 173-179) for another seven years. For those 17 years the parties cooperated in the sale of the slingshot, with Ellenburg manufacturing slingshots and selling them to Saunders and directly to consumers, and with Saunders buying slingshots exclusively from Ellenburg and selling only to dealers. The product was promoted by both parties under the name "Wrist-Rocket". Ellenburg advertised extensively in consumer periodicals of national circulation (R. 58-61, 210-214) and sold slingshots on a large scale (R. 62-63). Saunders advertised with jobbers and dealers in sporting goods (R. 293-294).

In 1965, Ellenburg registered the trademark in the United States Patent Office in his own name doing busi-

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ness as Trumark Manufacturing Company (Pl. Exh. P-30; R. 85). An affidavit of five years' use was filed in 1970, so that Ellenburg's rights in the mark became incontestable under Section 15 of the Trademark Act of 1946 (15 U. S. C. 1065).

In November 1971 Saunders terminated the distributorship arrangement on thirty (30) days' notice and began to sell similar slingshots of his own manufacture under the name "Wrist-Rocket". Respondent filed suit in the United States District Court for Nebraska for trademark infringement, breach of fiduciary duty and breach of contract. Petitioner counterclaimed for declaratory judgment determining trademark rights, for damages resulting from alleged false representations to the Patent Office, and for relief under the Nebraska Deceptive Trade Practices Act. Jurisdiction was proper under 28 U. S. C. 1338(a).

The District Court ordered respondent's trademark registration cancelled and a new registration issued to petitioner, enjoined respondent from use of the mark, and awarded damages to petitioner for respondent's use of the mark, for procuring registration by false statements, and for unfair competition under Nebraska law. The Court awarded damages to respondent for petitioner's breach of fiduciary duty. Both parties appealed.

The Court of Appeals for the Eighth Circuit reversed the District Court in part. The Court of Appeals found that the District Court's conclusion that petitioner was the common law owner of the mark was not clearly erroneous (516 F. 2d 850), but it held that trademark rights enforced under the statutory procedure

for incontestable registration are conclusive except as provided by statute, and that the District Court therefore committed an error in ordering respondent's registration cancelled and granted to petitioner. The Court of Appeals held, however, that an incontestable registration does not give the registrant a right to oust a prior user with common-law rights (516 F. 2d at 851). It therefore held that both parties have a right to use the mark "Wrist-Rocket" together with a prefix to prevent purchaser confusion. The case was remanded to the District Court for further proceedings consistent with the opinion of the Court of Appeals.

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REASONS FOR DENYING THE WRIT

I.

The Court of Appeals correctly held that an incontestable registration cannot be cancelled in favor of an owner of common law trademark rights.

Petitioner states that "the District Court below determined it had the statutory authority to 'rectify' the trademark register and to cancel an incontestable registration obtained by false, but not fraudulent, statements to the Patent Office." (Petition for Writ of Certiorari, at 6.) First, it should be pointed out that the District Court did not state that it was cancelling the incontestable registration because of false statements by the registrant. The court's only discussion of "falsity" was in connection with damages under 15 U. S. C. 1120, an issue not

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raised by Petitioner in the Petition for Certiorari. With respect to rights to the mark the Court found that the common law right to the mark was in Saunders (379 F. Supp. at 915), that no rights arose in Ellenburg through his registration (Id.), and that incontestability did not alter the result (Id.). Thus, the District Court was implicitly relying on some inherent power of a court to disregard an incontestable registration where it finds common law rights existing in a party other than the registrant. In this, the Court was ignoring the clear language of 15 U. S. C. 1115 (b), which states:

> If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark . . . except when one of the following defenses or defects is established . . .

None of the enumerated defenses or defects was found to exist. The only one relevant here is the first, "That the registration or the incontestable right to use the mark was obtained fraudulently." The District Court specifically found that registration and incontestability were not fraudulently obtained (379 F. Supp. at 921, 922), although it did find that submission of partial specimens of the mark was a "false" statement within the meaning of another section (15 U. S. C. 1120) though not done in bad faith (379 F. Supp. at 921, 922).

The section quoted above is a clear directive to the federal courts of the weight to be given to an incontestable registration when it is attacked by another party. As the Court of Appeals below noted, the section is meant to give "protection against perpetual attack on a registered trademark" (516 F. 2d at 851). Other courts have

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come to the same conclusion. As the court stated in *John Morrell & Co. v. Reliable Packing Co.*, 295 F. 2d 314, 316 (7th Cir. 1961), "This section was intended to protect a registrant from having its mark cancelled by a prior user claiming superior rights." *See also Haviland & Co. v. Johann Haviland China Corp.*, 269 F. Supp. 928, 936 (S. D. N. Y. 1967). But the decision of the District Court below renders the section absolutely meaningless. If a court has inherent power to cancel an incontestable mark and award the registration to another party whom it finds to have common law rights, then no mark is incontestable. Every trademark challenge must be fully litigated, and the common law owner will always win. The law, in effect, would be exactly what it was before Congress passed the Trademark Act of 1946.

The law before the passage of that Act was that trademark registration was prima facie evidence of ownership. 4 Callman, *Unfair Competition, Trademarks and Monopolies*, (3d Ed.) § 97.3 (b) at 594. This rule was incorporated into the Trademark Act of 1946 (15 U. S. C. 1115(a)) and still applies where a registration has not become incontestable. But Congress also adopted the "conclusive evidence" rule of 15 U. S. C. 1115(b) and made it applicable where a registration has become incontestable. The intent of Congress is unmistakable from the statute: there was an intent to give incontestable registrations greater protection than had previously been given. The only real question, then, is whether Congress had the power to change the common law of trademarks, to give a registrant an

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absolute right to use a mark in spite of unregistered prior use by another. A plain statement of the issue makes the answer clear: it would be futile to argue that Congress lacked this power. *See Philco Corp. v. Phillips Mfg. Co.*, 133 F. 2d 663 (7th Cir. 1943); 4 Callman, *Unfair Competition, Trademarks and Monopolies*, (3d Ed.) § 97.2. Thus the result reached by the District Court is clearly erroneous. Furthermore, while it is true that 15 U. S. C. 1119 (Section 37 of the Trademark Act) gives courts of the United States power to "rectify the register" in various ways, that section must clearly be read as a part of the whole Trademark Act. Where the Congress has specified the effect of an incontestable registration, that effect cannot be disregarded under a general enabling section such as 15 U. S. C. 1119.

II.

The ruling of the Court of Appeals is compatible with decisions of other circuits.

The action taken by the District Court below is unprecedented. In no previously reported case has a court taken it upon itself to cancel an incontestable registration of a trademark where the mark is not inherently unregistrable. There is no conflict among the circuits on this point. Petitioner cites the case of *Schwinn Bicycle Co. v. Murray Ohio Mfg. Co.*, 339 F. Supp. 973 (M. D. Tenn. 1971), aff'd. 470 F. 2d 975 (6th Cir. 1972). The "mark" in question there was knurling of a wheel rim, intended to hide a weld. The knurling was found to be functional and thus not registrable. The key to that case is to be found in the words of the District Court:

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> "Thus it is clear that an *inherently defective* trademark, *one not entitled to registration* with the Office of Patents as being an *invalid mark at common law,* is not rendered valid by becoming incontestable under § 1115 (b)." 339 F. Supp. 973, 982. (Emphasis added.)

The decision in the *Schwinn* case thus was not that one party or another should have the exclusive right to the mark, but that no one should have such a right, because to grant such a right would exclude others from using the functional knurling. This was merely a decision that functional markings were not within the meaning of the word "trademark" as used by Congress when it adopted the Trademark Act of 1946. Since functional devices had never been subject to appropriation as trademarks at common law, *see* 3 Callman, *Unfair Competition, Tradesmarks and Monopolies* (3d Ed.) § 77.4 (e) (1), at 388-394, the result was perfectly sound.

The present case is distinct. The mark "Wrist-Rocket" is not inherently invalid, and it was not declared invalid by the court below. Instead, the court took the registration from one party and awarded it to another, in contravention of a statute adopted by the Congress. The Circuit Court properly reversed that result.

III.

Where, as here, the public interest in identifying the origin of goods is served, no issue of public policy remains to be settled.

As a general rule trademark rights are exclusive. However, courts have shown a willingness to arrive at some other result where equity would be served thereby. Thus, in *Alfred Dunhill of London, Inc., v. Dunhill Tail-*

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ored Clothes, Inc., 293 F. 2d 685, 692 (C. C. P. A. 1961), *cert. denied* 369 U. S. 864 (1962), concurrent registration of conflicting marks was permitted. In *Haviland & Co. v. Johann Haviland China Corp.*, 269 F. Supp. 928, 936 (S. D. N. Y. 1967), a registrant with an incontestable registration and a prior user were both left with rights to use conflicting marks. In *P. Daussa Corp. v. Sutton Cosmetics (P.R.) Inc.*, 462 F. 2d 134, 136 (2d Cir. 1972), the court left it open to both parties to prove equal rights to use one trademark and stated that if such were the case, concurrent use would be permitted.

Trademark law serves the public interest by allowing a manufacturer to identify the origin of his goods. *E.g.*, *Smith v. Chanel, Inc.*, 402 F. 2d 562 (9th Cir. 1968). The Court of Appeals below was mindful of this, and required that each party use a prefix with the mark "Wrist-Rocket" so that consumers should not be confused as to the origin of the goods. The public has no interest beyond that. Where the origin of the goods is made clear and the result is equitable for the parties, it is not necessary to insist that trademark rights must always be exclusive simply so that theoretical "doctrine" will be preserved.

CONCLUSION

For the reasons stated above, the petition for a writ of certiorari to review the judgment of the Court of Appeals for the Eighth Circuit should be denied.

Respectfully submitted,

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